



Department of Justice

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AT
(202) 616-2771

**JUSTICE DEPARTMENT FILES SUIT, PROPOSED SETTLEMENT AGAINST TWO
MAJOR DEFENSE CONTRACTORS--ACTION WILL SAVE DEFENSE \$12 MILLION**

WASHINGTON, D.C. -- In a joint effort to halt an anticompetitive arrangement that cost taxpayers millions of dollars, the Department of Justice and the Department of Defense joined forces to take action against two major defense contractors for their illegal arrangement to supply bombs to the Department of Defense. The agencies' efforts will ultimately save the Defense Department \$12 million.

The Department's Antitrust Division filed a civil antitrust suit today against Alliant Techsystems Inc. and Aerojet-General Corporation for entering into a "teaming" arrangement that eliminated competition between the two companies in supplying the Department of Defense with cluster bombs. Under the arrangement, the companies agreed between themselves to submit one bid for the bombs contract instead of submitting two separate bids. At the same time, the Justice Department filed a proposed consent decree that, if approved by the court, would settle the suit.

Robert E. Litan, a Deputy Assistant Attorney General for the Antitrust Division, and Jamie Gorelick, General Counsel for the

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Department of Defense, announced the action jointly today at the Pentagon. The lawsuit and proposed consent decree were filed in U.S. District Court in Peoria, Illinois.

The complaint alleged that the arrangement between Alliant and Aerojet restrained trade in violation of Section 1 of the Sherman Act. Alliant and Aerojet are the only two United States suppliers of combined effects munitions, the primary cluster bomb technology used by the Air Force.

The complaint further alleged that the arrangement, in effect, reduced the number of U.S. competitors for the munitions from two to one, substantially increasing the price of the munitions for the military.

Litan said, "The proposed settlement represents about a 10 percent savings to the Department of Defense for its 1992 cluster munitions requirements, amounting to \$12 million. Approximately \$4.1 million of the savings will be paid by Alliant and Aerojet to the Department of Justice under the proposed consent decree. The Department will forward the money to the appropriate military account. The remainder of the savings are realized through a lower contract price negotiated with the prime contractor by Army contracting officials and Antitrust Division attorneys."

Combined effects munition systems are unguided, air-delivered cluster bombs, each containing 202 bomblets with anti-armor, anti-personnel and incendiary capabilities. Since 1985,

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Alliant and Aerojet have supplied the Department of Defense with a total of approximately \$1.75 billion worth of such munitions.

Gorelick said, "The Army's Armament, Munitions and Chemical Command in Rock Island, Illinois, which is responsible for , procurement of these munitions, initially identified the antitrust issues raised here. The Command referred the matter, through the Army's Office of General Counsel, to the Antitrust Division.

"The resulting cooperation between Antitrust Division and Army personnel has led to this favorable result. This joint effort represents a model working relationship between the Department of Defense and the Department of Justice in which the Justice Department's antitrust mission can complement and support the national security mission of the Defense Department," she said.

The proposed consent decree would prohibit further teaming by Alliant and Aerojet in response to government solicitations for competitive offers to supply these munitions. The proposed decree would permit teaming only if the Department or the court approves in advance.

Litan added, "I hope the outcome of this case will help deter anticompetitive conduct by defense contractors generally. Contractors should expect that procurement offices will be diligent in referring suspicious conduct and that, when there are referrals, Antitrust Division and military procurement personnel

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will work cooperatively with one another to secure the benefits of competition for the public."

Alliant Techsystems Inc. is headquartered in Hopkins, Minnesota. Before 1990, Alliant was a component of Honeywell Inc. of Minneapolis. Aerojet-General Corporation is based in Rancho Cordova, California. Aerojet Ordnance Division, a component of Aerojet-General responsible for combined effects munitions, is headquartered in Downey, California.

The public can comment on the proposed consent decree within a 60-day period in compliance with the Antitrust Procedures and Penalties Act. Interested persons should write to Gary R. Spratling, Chief, San Francisco Field Office, Antitrust Division, Department of Justice, Room 10-0101, Box 36046, 450 Golden Gate Avenue, San Francisco, California 94102.

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